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## REQUIREMENTS FOR CONTRIBUTIONS

Articles in the field of agricultural economics, suitable for publication in the journal, will be welcomed.

Articles should have a maximum length of 10 folio pages (including tables, graphs, etc.) typed in double spacing. Contributions, in the language preferred by the writer, should be submitted in triplicate to the Editor, c/o Department of Agricultural Economics and Marketing, Pretoria, and should reach him at least one month prior to date of publication.

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# Adjustments to the system of marketing slaughter stock and the provision of abattoirs

The demands made on marketing schemes inevitably change as physical and economic conditions change. That is why it is necessary to subject the operation of schemes to periodic critical analysis so that any adjustments that may be needed can be made at the right time. This was the object of several investigations into the meat marketing scheme during the past decade. Instead of adjustments which might have made it possible to solve existing problems in good time, uncertainty has arisen about whether the marketing scheme will be retained, and this uncertainty has to a significant degree been responsible for the problems encountered in the marketing of slaughter stock in the controlled areas.

The investigations have shown that the price support system is essential to the promotion of stability in the slaughter stock and meat industries, and that the system can best be applied on the basis of slaughtered mass and grade. It has been pointed out, at the same time, that inadequate facilities are greatly hampering the application of the price support system; that the application of guaranteed prices at compulsory auctions is placing an unwarranted cost burden on the industry; and that the continued provision of public service-abattoirs is hampering development in the industry.

The desirability of changing the marketing methods and of providing suitable slaughtering facilities has been pointed out more than once, but it has been the producers, in particular, who have not seen their way clear to departing in the slightest from the auction-on-the-hook scheme. In fact, they have persisted in calling for the extension of control to other non-controlled areas and for the enlargement of the existing controlled areas.

Schemes are usually amended when conditions become critical and, in the case of the meat industry, the decisive factors have been outmoded and inadequate slaughtering facilities, as well as the exceedingly high capital and operating costs of the new service-abattoirs being planned. To overcome these difficulties, the Meat Board decided in April 1972 to make changes in marketing arrangements, but to retain the essential elements of the existing scheme.

In this issue of *Agrekon* the emphasis falls to a significant degree on the marketing arrangements for slaughter stock and the provision of abattoirs. A complete review is given of developments up to the present, as well as an indication of possible future developments. This editorial is an attempt to outline briefly the more pressing problems and to weigh the possibilities of development.

## MEAT SCHEME

The basic object of the meat scheme is to maintain floor prices and to remove surpluses, purchased at those prices, from the market. Whether these functions are performed effectively therefore depends on the availability of slaughtering facilities.

Slaughtering facilities in controlled areas are so inadequate that the current requirements of the trade can hardly be met. Guaranteed prices for cattle therefore do not serve as the basis for prices all over the country because, owing to the heavy marketing pressure for cattle since the end of 1969, there have been restrictions on the supply of cattle to controlled markets in virtually all cases. Excess supplies have been foisted on already glutted outside markets where market prices have on occasion dropped below the floor price level, which explains the pressure on the part of marketers to be allowed to market in the controlled areas.

Floor prices, based on slaughtered mass and grade, can be applied equally effectively at all abattoirs. However, the meat scheme also seeks to achieve centralised price formation through the compulsory auctioning of all carcasses marketed in the controlled areas. Compulsory auctions necessitate the provision of public service-abattoirs with expensive ancillary facilities such as hanging space and a double set of chilling facilities - one at the abattoir and one at the wholesaler's. Naturally this entails two systems of handling and transporting the meat. Supplies to the service-abattoirs are dependent on the decisions of the marketers instead of the abattoir proprietors who wish to ensure that full or at least steady use is made of the available facilities all the time. It follows that considerable savings on capital and operating costs would be possible if compulsory auctions at service-abattoirs were done away with.

## THE PROVISION OF ABATTOIRS

In the Republic the provision of abattoirs has until now rested with the local authorities, but, owing to the uncertainty created by the investigations into the operation of the scheme and possible amendments to it, there has been all but complete stagnation in the erection and overhauling of abattoir facilities for almost a decade. In spite of guarantees against losses and a guaranteed profit of 1 per cent on investment, there have been several factors which have made local authorities lose interest in providing abattoir facilities. The most important of these factors are: increasing capital investment; the cost of

raising the funds needed and the difficulties experienced in this regard; the fact that local authorities have to provide facilities largely for the benefit and convenience of other concerns while they themselves have very little say over how the facilities are to be used; and the fact that, owing to better refrigeration and transport facilities, the provision of meat has ceased to be a matter of merely local concern since there are cases where areas far beyond the municipal boundaries have to be supplied.

The City Council of Johannesburg nevertheless proceeded with the planning of the City Deep Abattoir and announced at the end of 1971 that the cost of this venture, upon completion in five years' time, would come to about R28,5 million. Consultants have put the figure at about R23,5 million, which means that the abattoir and slaughter fees would amount to over R6,50 as compared with the present all-inclusive fee of R2,60 per cattle unit.

Not only the prohibitively high operating costs but also the fact that even the fixed costs are high - which can to an important extent be ascribed to the requirements of the meat scheme and the provisions of the Hygiene Act - will have raised doubts about whether the present method of providing abattoirs should be adhered to. In view of the shortage of slaughtering facilities and because the erection of public service-abattoirs is in the nature of things a time-consuming process, the time factor has come to be a very important consideration in weighing all these circumstances.

#### FUTURE MARKETING AND SLAUGHTERING ARRANGEMENTS

A committee of the Meat Board assessed the operation of the meat scheme in the light of the considerations outlined above and put forward proposals which were aimed at solving the problems in respect of cattle in the Reef complex in particular, but which would possibly also be of use in other areas. Taken as a whole these proposals were acceptable to the Minister of Agriculture, and they are briefly as follows:

- The provision of a public service-abattoir at City Deep, with a capacity of 1 650 head of cattle and 7 250 head of small stock a day.
- The erection of three semi-service-abattoirs with a combined capacity of 1 280 head of cattle a day. (These facilities will be provided and run by the trade and agents jointly. Purchases from producers will be made at short-term prices announced in advance, and 75% of the sales will be effected at negotiated prices, the rest of the offerings being disposed of by auction).
- The establishment of private abattoirs with a total capacity of 1 000 head of cattle a day, which will be run by concerns in the trade for their own account. The number of cattle was subsequently raised to 1 125 a day and, with a surplus capacity of 20 per cent, the total

comes to 1 350 cattle a day. This increase is aimed at ensuring that the units established would be of an economic size.

In broad outline, the Meat Board's proposals are as follows:

- The retention of the price support system on the basis of slaughtered mass and grade applied, as at present, to a proportionately large part of the supplies.
- Provision for the use of other methods of negotiation, dispensing with compulsory auctioning of all supplies in the controlled areas.
- Provision for the erection of abattoirs on a more economic footing by partly eliminating the ancillary facilities required under the auction system.

With these proposals, the Meat Board has undoubtedly cleared the way to healthy development in the meat industry. The most beneficial elements of the existing marketing arrangements have been retained and possibilities created for overcoming the industry's problems. The limits imposed by laying down that specific types of abattoirs are to be provided, will serve to control the pattern of development, possibly to the benefit of the industry since evolutionary development will be enforced in this way.

The proposed adjustments have definite advantages for the producer. Besides competitive outlets in controlled areas, as compared with auction sales after the animal has been slaughtered, provision for the erection of private abattoirs would make it possible to overcome the shortage of facilities sooner than would have been the case under the present set-up. This would make it possible to ensure that the floor price system comes into full play. Grants have already been made for the erection of six abattoirs by private concerns having an important share in the distributive trade in the Reef complex. The indications are that they will shortly proceed with the erection of the abattoirs. Under the present set-up marketers, particularly those who finish slaughter stock specially for the market, have no assurance that they will be able to market such animals when they are marketable, and, except for the floor price, there is no price certainty, either. Under the new arrangement agreements as to the time of marketing and the selling price can be concluded in advance. This will obviate a major snag in the finishing of slaughter stock, a process which in the course of time will become more and more desirable.

Apart from savings on the cost of establishing abattoirs and on the slaughtering process, the availability of private abattoirs offers plenty of scope for streamlining both the preparation of meat for distribution and the distribution process itself. There can be no doubt that the interests of a dynamic meat industry can best be served by private abattoirs.